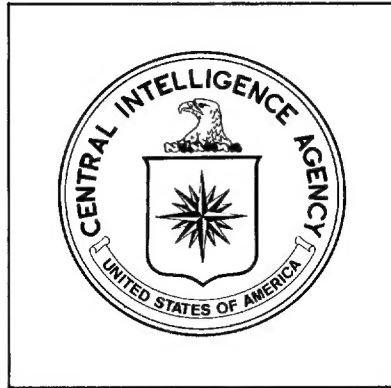


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122

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This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

CONTENTS

UN Concludes Cyprus Debate	1
The EC's 1976 System of Generalized Preferences Provokes Criticism from Some Developing Countries.	3
Iceland and West Germany Conclude Fishing Accord	5



25X6

November 21, 1975

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SECRET

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UN Concludes Cyprus Debate

The UN General Assembly last night voted overwhelmingly for a resolution supporting the Greek Cypriot case against Turkey.

The outcome will make the Greek Cypriots more amenable to resuming intercommunal talks with the Turkish Cypriots. The Turks, smarting from this rebuff by the UN, will probably hesitate to resume negotiations.

Greek Cypriots were determined to secure passage of a resolution blaming the Turks for not implementing last year's General Assembly resolution, which called for withdrawal of foreign troops from Cyprus, return of refugees to their homes, and negotiations on an "equal footing."

The Turks and Turkish Cypriots were determined to oppose even a reaffirmation of last year's resolution. Their second objective was to gain equal status in the UN for the Turkish Cypriot community by insisting that Turkish Cypriot leader Denktash be allowed to address the assembly. This failed, also.

The resolution that was passed last night affirmed last year's resolution and condemned Turkish colonization of Cyprus. It received 117 votes, with 9 abstentions and 1 negative vote by Turkey.

Greek Cypriots will call the assembly's action a victory. For the Turks, the vote dramatizes their increasing isolation even from the Muslim states, on whose support they had counted. Although this may increase their flexibility in the long run, for the time being they are likely to take a tough line. They may delay

November 21, 1975

SECRET

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the resumption of negotiations until after the start of the new year, and may begin to talk again of a unilateral declaration of independence for the Turkish Cypriot zone.

At the same time, the Turks are mindful that the question of military aid will again come before the US Congress next month. This could prompt a unilateral gesture, such as the withdrawal of more Turkish troops from Cyprus. Such a move could easily be justified to the Turkish public as a money-saving action rather than a concession to the Greeks. (CONFIDENTIAL)

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November 21, 1975

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The EC's 1976 System of Generalized Preferences
Provokes Criticism from Some Developing Countries

The EC has approved a modest expansion of trade preferences available to all developing countries under the Community's scheme of generalized preferences. The trade concessions will likely come under strong attack in Luxembourg next week from the 46 African, Caribbean and Pacific countries which will be holding their first joint session with the EC under the Lomé Convention.

The Lomé signatories fear that further liberalization of the generalized preferences--which are granted to 104 developing countries--will further undermine the special treatment the 46 receive from the Community. They are demanding a moratorium on general tariff reductions and a more rigorous enforcement of import ceilings.

It is unlikely that their protests will result in any changes in the EC's generalized preferences. The Community is under pressure from Latin America not to discriminate against its exports and, furthermore, is pledged to do more for Asian Commonwealth countries that do not benefit from the Lomé Convention. Under the terms of the agreement with the 46, however, the Nine are required to consult on questions of trade liberalization, and the EC has promised to take the interests of the Lomé signatories into account when preparing the 1977 scheme.

Despite the intensity of the protests of the 46, the improvement in the 1976 trade concessions are modest compared with those granted in previous

November 21, 1975

SECRET

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years. A large number of provisions are designed only to assist the very poorest of countries. Under the generalized preferences arrangement, industrial goods except jute and coir products enter duty free subject to possible quantitative ceilings. For most industrial goods, these ceilings are raised for 1976 by 15%. The ceilings are to be increased by only 5% for textiles and iron and steel, reflecting the Community's desire to protect hard-pressed domestic suppliers. Per-country limits for several items of special concern to impoverished nations have been boosted from 20% to 30%. There were no changes in the lists of "sensitive" products.

On agricultural trade, EC tariffs on nearly all processed food stuffs were lowered 10%. Also, some farm items important to the poorest nations have been introduced into the 1976 preference system.

EC officials estimate the expanded trade opportunities provided by the 1976 concessions total approximately \$1 billion for agricultural products, \$710 million for textiles, and \$3.15 billion for industrial goods. We expect that the actual impact of these concessions on trade with the less-developed countries will be much less substantial.

Because of the complexity of the GSP legal framework, only a small fraction of trade preferences are ever utilized. In 1976, developing countries took advantage of only 40% of the trade concessions offered by the Community.

Moreover, the proposed tariff reductions will result in only minor price cuts at the wholesale and retail levels. Finally, trade flows are known to respond to price cuts only with a long and variable lag. (CONFIDENTIAL NOFORN)

November 21, 1975

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25X1A

Iceland and West Germany Conclude Fishing Accord

Iceland and West Germany have reached tentative agreement on a two-year pact regulating fishing by West Germans in waters around Iceland. | 2

The Bonn government apparently is ready to sign the agreement once it is approved by the Icelandic cabinet and parliament. The West German negotiator stated on November 20 that signature could take place within ten days. | 2

Under the terms of the agreement, West German trawlers will be permitted to operate within Iceland's 200-mile fishing zone, and catch up to 60,000 tons of fish annually. Bonn made clear, however, that it does not officially recognize Iceland's unilateral declaration of the 200-mile zone. | 2

Although the catch limit is less than Bonn would have liked, the West Germans are pleased that the agreement has a duration of two years; previously, Iceland wanted the agreements to be renewed annually. | 3

Iceland's negotiations with the British are in recess after the breakdown of talks in Reykjavik last weekend. Both sides were still far apart on setting a catch limit--the British want 110,000 tons but Reykjavik has offered only 65,000 tons. London will have difficulty conceding more because of the increased operational costs to trawlermen caused by high fuel prices, while the Icelandic government is under strong pressure from political, labor and other special interest groups, not to make any further concessions. | 3
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Some of the acrimony that developed in the talks last weekend was attributed to the current | 1

November 21, 1975

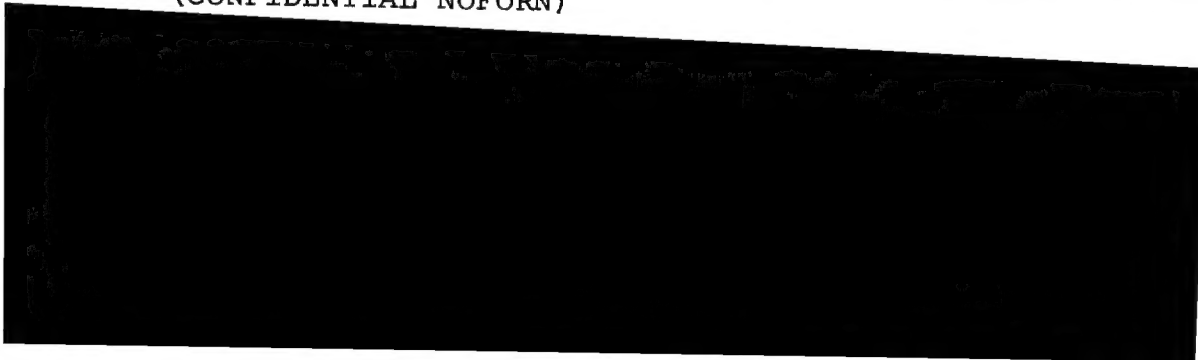
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1 | British negotiator who lacks sufficient background on the subject. A Foreign Office spokesman indicated that a more experienced negotiator might take over for the British side when talks resume.

2 | Icelandic coast guard patrol vessels, meanwhile, continue to harass British fishing boats operating inside the 50-mile limit. Three boats had their trawls cut this week despite the introduction of several civilian patrol ships assigned to protect the trawlers. Fishing captains have threatened to pull out unless London provides naval protection, but the British government probably will avoid such a move unless the Icelandic ships fire on the trawlers.
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November 21, 1975

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